

# House File 2320 - Introduced

HOUSE FILE 2320  
BY COMMITTEE ON JUDICIARY

(SUCCESSOR TO HSB 609)

## A BILL FOR

1 An Act relating to certain corporations doing business in this  
2 state, including restrictions and requirements imposed on  
3 nonprofit corporations acquiring agricultural land used in  
4 farming, and the duties and liabilities of directors of  
5 for-profit and nonprofit corporations.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

NONPROFIT CORPORATIONS ACQUIRING AGRICULTURAL LAND

Section 1. Section 9H.1, subsection 20, Code 2018, is amended to read as follows:

20. "*Nonprofit corporation*" means any of the following:

a. ~~Corporations organized under the provisions of chapter 504, Code 1989, or current~~ chapter 504; or A corporation as defined in section 504.141 that is not a foreign corporation as described in paragraph "b".

b. ~~Corporations which qualify under 26 U.S.C. §501(c)(3) A~~ foreign corporation as defined in section 504.141.

Sec. 2. Section 9H.4, subsection 1, paragraph b, subparagraph (3), subparagraph division (a), subparagraph subdivisions (i) and (iv), Code 2018, are amended to read as follows:

(i) The corporation or limited liability company must not hold the agricultural land other than as a lessee. The term of the lease must be for not more than twelve years. The corporation or limited liability company shall not renew a lease. The corporation or limited liability company shall not enter into a lease under this subparagraph subdivision, if the corporation or limited liability company has ever entered into another lease under this subparagraph (3), whether or not the lease is in effect. However, this subparagraph subdivision does not apply to a ~~domestic~~ nonprofit corporation ~~organized under chapter 504, Code 1989, or current chapter 504~~ as defined in section 9H.1, subsection 20, paragraph "a".

(iv) The corporation or limited liability company must deliver a copy of the lease to the secretary of state. The secretary of state shall notify the lessee of receipt of the copy of the lease. However, this subparagraph division does not apply to a ~~domestic~~ nonprofit corporation ~~organized under chapter 504, Code 1989, or current chapter 504~~ as defined in section 9H.1, subsection 20, paragraph "a".

Sec. 3. Section 9H.4, subsection 1, paragraph c, Code 2018,

1 is amended to read as follows:

2     c. Agricultural land, including a leasehold interests  
3 interest, acquired by a nonprofit corporation ~~organized~~  
4 ~~under the provisions of chapter 504, Code 1989, and current~~  
5 ~~chapter 504~~ as defined in section 9H.1, subsection 20,  
6 paragraph "a", including land acquired and operated by or for  
7 a state university for research, experimental, demonstration,  
8 foundation seed increase or test purposes and land acquired  
9 and operated by or for nonprofit corporations organized  
10 specifically for research, experimental, demonstration,  
11 foundation seed increase or test purposes in support of or in  
12 conjunction with a state university.

13     Sec. 4. Section 10B.1, subsection 9, Code 2018, is amended  
14 by striking the subsection and inserting in lieu thereof the  
15 following:

16     9. "*Nonprofit corporation*" means the same as defined in  
17 section 9H.1.

18                                   DIVISION II

19                                   CORPORATIONS FOR PECUNIARY PROFIT

20     Sec. 5. Section 491.16A, Code 2018, is amended to read as  
21 follows:

22     **491.16A Directors and officers — duties and liabilities.**

23     Sections 490.830, 490.831, and 490.833, sections 490.840  
24 through 490.842, sections 490.860 through 490.863, and section  
25 490.870 apply to corporations organized under or subject to  
26 this chapter.

27                                   DIVISION III

28                                   REVISED IOWA NONPROFIT CORPORATION ACT

29     Sec. 6. Section 504.832, subsection 1, paragraph a, Code  
30 2018, is amended to read as follows:

31     a. That section 504.202, subsection 2, paragraph "d", or  
32 section 504.901 or the protection afforded by section 504.833  
33 or 504.836, if interposed as a bar to the proceeding by the  
34 director, does not preclude liability.

35                                   EXPLANATION

1           The inclusion of this explanation does not constitute agreement with  
2           the explanation's substance by the members of the general assembly.

3       GENERAL. This bill makes changes to statutes involving  
4 corporations operating on a for-profit basis under Code chapter  
5 490 (the "Iowa Business Corporation Act") or Code chapter 491,  
6 or on a nonprofit basis under Code chapter 504, the "Revised  
7 Iowa Nonprofit Corporation Act".

8       NONPROFIT CORPORATIONS — RESTRICTIONS AND REQUIREMENTS  
9 CONCERNING AGRICULTURAL LAND HOLDINGS. The bill amends Code  
10 chapter 9H which restricts certain business entities, including  
11 corporations, from acquiring agricultural land suitable for  
12 use in farming (Code section 9H.1(2)(14)). The bill also  
13 amends related provisions in Code chapter 10B that require such  
14 entities to file landholding reports with the secretary of  
15 state (Code section 10B.1). Specifically, the bill replaces  
16 language defining a nonprofit corporation as a business entity  
17 "organized under" former Code chapter 504 as published in the  
18 1989 edition of the Code (prior to its repeal) or current  
19 Code chapter 504 with language that adopt by reference the  
20 definition of a corporation as set forth in current Code  
21 chapter 504, including a domestic nonprofit corporation  
22 incorporated under its provisions and a foreign corporation  
23 authorized to transact business in this state (Code sections  
24 504.141 and 504.119). A domestic corporation incorporated  
25 under Code chapter 501A is subject to current Code chapter  
26 504 (Code section 504.1701). The bill also makes the same  
27 change to another statute that allows a nonprofit corporation  
28 to acquire agricultural land for research or experimental  
29 purposes under two exceptions: first, by a domestic nonprofit  
30 corporation for research or experimental purposes (Code section  
31 9H.4(1)(b)), and second, by a domestic or foreign nonprofit  
32 corporation when acting in association with a state university  
33 (Code section 9H.4(1)(c)).

34       CORPORATIONS FOR PECUNIARY PROFIT — DIRECTOR'S CONFLICT  
35 OF INTEREST TRANSACTIONS AND BUSINESS OPPORTUNITY EXCEPTION

1 — IOWA BUSINESS CORPORATION ACT. The bill provides that in  
2 the case of a corporation organized under Code chapter 491, a  
3 director's "conflict of interest transaction" is subject to  
4 the same requirements as provided for a corporation organized  
5 under and therefor subject to Code chapter 490 (Code sections  
6 490.860 through 490.863), including a so-called "safe harbor"  
7 exception. The bill also allows a director of a corporation  
8 organized under and subject to Code chapter 491 to take  
9 advantage of another safe harbor known as the "business  
10 opportunity" exception according to the same requirements that  
11 apply to a director of a corporation organized and subject to  
12 Code chapter 490 (Code section 490.870).

13 NONPROFIT CORPORATIONS SUBJECT TO REVISED IOWA NONPROFIT  
14 CORPORATION ACT — STANDARD OF LIABILITY FOR DIRECTORS —  
15 BUSINESS OPPORTUNITY EXCEPTION. The bill provides that for  
16 a plaintiff to move forward in a legal or equitable action  
17 alleging a director is liable for violating the duty of care  
18 owed to the nonprofit corporation, the plaintiff must establish  
19 that the director's liability is not precluded by the director  
20 having acted under the business opportunity exception if such  
21 a defense is raised ("interposed as a bar to the proceeding")  
22 (Code sections 504.832 and 504.836).